FOREIGN AGRICULTURE

Sampling U.S. pink grapefruit, Sweden.

August 19, 1974

World Oilseed Prospects
Japan's Market for Institutional Food

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

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Thailand Rapidly Emerging As Cornbelt of the Far East

By SUPAT WIBULSETH
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ONE OF THE WORLD'S foremost rice exporters, Thailand is fast gaining status in production and trade of yet another grain—corn—in the process enlarging its foothold in the growing feedgrain markets of Japan, the Republic of China (Taiwan), and other Far Eastern nations.

Although a young industry compared to the age-old rice culture, corn production already has assumed an important role in Thailand's economy. It is, for instance, agriculture's third largest foreign exchange earner behind rice and rubber. And some sources believe that with improved production methods corn could eventually edge out rice for the top position.

Seeming to support this challenge, Thai corn production in the last two decades has only once fallen off the rising trend that has increased production more than 20 fold to over 2.3 million metric tons in 1973 and 3 million estimated for 1974. And Thai Development Plan goals see this reaching 3.5 million tons by 1976.

Although common throughout Thailand, corn production is concentrated in the nine Provinces to the north and east of the Central Plain rice bowl. And three Provinces—Nakhon Sawan, Lopburi, and Saraburi—account for more than half of total production.

The crop has been grown here for many years, but only since the 1950's has it been produced commercially as grain. Importation of the deep-orange flint "Guatemala" corn facilitated this development, and by 1959 farmers were rapidly clearing timber areas so they could plant the new feedgrain.

These efforts were translated into snowballing production growth. From just a little over 100,000 metric tons in 1955 and 1956, production soared past a million tons by 1965 and 2 million by 1971, as acreage expansion continued unabated.

Growth was encouraged by the crop's easy adaptation to Thailand's tropical climate, although being raingrown corn remained subject to shortfalls in times of inadequate precipitation. The vulnerability showed up in 1972, when drought reduced output to 1.3 million metric tons from 2.2 million the year before, for the only interruption of corn's 20-year uptrend.

The 1972 shortfall also set off a scramble in 1973 for supplies among markets in the Far East—boosting U.S. sales in the process, but also underlining Thailand's importance today to corn trade in that part of the world.

Corn first became one of the country's major exports in 1960, when its production passed 540,000 metric tons and exports reached 500,000. Today, such shipments total around 1.8 million tons —or roughly 80 percent of total corn production—and have catapulted Thailand into the top ranks of world corn trade: the country is usually the fourth or fifth largest exporter, although its 3-4 percent of the world market is still dwarfed by the United States 50-60 percent share.

Foreign exchange earnings from this trade amounted to the equivalent of $140.8 million in 1973—because of last year's high prices and alltime record, despite a sharp contraction in volume that year.

Japan and Taiwan have traditionally been the main customers for Thai corn and—through bilateral agreements guaranteeing markets—have given major encouragement to expansion in Thailand's corn production.

The bilateral corn trade agreement with Japan is by far the most important ever concluded by Thailand and has the longest history. Begun in the 1966-67 crop year, it is renewed each year, with terms including: A specific formulation by which monthly export prices for sales to Japan are determined; the total volume of corn to be shipped to Japan for the year; and a general agreement on the monthly pattern of these exports.

This agreement—concluded as part of

Japan's efforts to diversify trade and generally encourage Asian development—has reserved for Japan the major part of Thailand's corn exports. By 1972, such shipments had reached around 1 million metric tons, or about 55 percent of Thailand's total export trade.

Concluded for the first time on September 28, 1970, the trade agreement with Taiwan is virtually the same as with Japan and is negotiated each year following the signing of the Japanese agreement. The quantity involved is smaller than that negotiated with Japan—about half a million metric tons a year—but has upped sales to Taiwan manyfold from the negligible amounts sold prior to 1967.

Other important markets for Thai corn include Singapore, which took 183,900 metric tons in 1972; Hong Kong, 95,843; and Malaysia, 86,836.

Because of the export market's importance, farm prices for corn are based on export quotations—derived largely from the price formulas specified in the bilateral contracts with Japan and Taiwan. Such formulas, in turn, are based upon the price of corn in the Chicago futures market.

Generally, farmers get 50-55 percent of the export price. But seldom do they hold their crops to sell at the season's end or when prices are high, instead selling sometime during the harvest period. This is in part because of the lack of modern storage facilities in the Provinces, which necessitates quick movement of corn from the growing areas.

In contrast to the growing export market, domestic use of corn in Thailand is limited, totaling only about 15 percent of production. A few varieties of white and yellow waxy corn and yellow sweet corn are grown commercially near the large cities as a vegetable for human consumption. But use of corn as feed is still very low, even though grain feeding of cattle and poultry is on the rise.

The failure of corn to catch on as an animal feed at home reflects the country's traditional use of rice bran in feeds. However, since rice bran is becoming more and more expensive, corn is expected to gain in importance as a feed.

Despite its great success thus far in expanding corn production and trade, Thailand is running up against some problems, stemming in large part from its dependence on traditional production and marketing practices.

MARKETING, for instance, is still complicated by a preponderance of middlemen. These include the district dealer—the one benefiting most from corn trade—who buys and collects corn from the farmer and then resells to a Province broker. The broker then transports the corn to Bangkok and sells it to the corn exporter. Occasionally a farmer will sell directly to the Provincial broker, but seldom does he sell it to the exporter.

Cultivation practices, too, are much like those of the past, with little use of fertilizer, improved seed, or other inputs that might improve yields.

Currently, there are no private commercial seed producers growing or distributing high-quality seed in Thailand and the little that is available comes from the Royal Thai Government. Instead, farmers depend on seed selected locally or from their own production.

Two improved varieties—Pha Bhuttabatt No. 5 and Pakchong No. 1501—have contributed to a gradual increase in yields in recent years, and the National Corn and Sorghum Research Institute, with help from the Rockefeller Foundation, carries out seed improvement programs. However, the research is time consuming because of the preliminary farm testing, demonstration plots, and seed multiplication programs that must be undertaken and thus still has a long way to go before it can be put to practical use.

Another problem is the humid weather year-round, which causes seed stored under normal conditions to deteriorate and be destroyed by insects within a few months. There is thus a need for better seed distribution and a reduction of storage time.

Use of fertilizer to increase yields is very limited, in part because much of the corn has been grown on recently cleared timberland which is initially quite fertile. But with acreage expansion like that of the past decade no longer possible, production growth will increasingly depend on use of fertilizer; in combination with improved varieties,

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THAILAND'S CORN EXPORTS TO PRINCIPAL COUNTRIES OF DESTINATION
[In metric tons]

Year	Hong Kong	Singapore	Malaysia	Japan	Taiwan	Others	Total
1957	2,925	9,586	15,432	36,393	—	1	64,337
1958	3,879	14,880	14,471	129,683	—	1	162,914
1959	9,876	17,507	20,110	189,185	—	103	236,781
1960	11,327	35,441	24,829	441,046	2,052	50	514,745
1961	43,511	82,417	31,119	405,404	719	4,066	567,236
1962	102,910	92,281	45,543	229,676	—	1,995	472,405
1963	111,642	78,848	49,655	453,414	9,911	40,576	744,046
1964	108,079	73,774	50,612	844,936	9,573	28,067	1,115,041
1965	81,832	81,601	53,912	559,749	8,990	18,296	804,380
1966	76,856	142,260	66,653	826,289	57,116	49,363	1,218,537
1967	82,507	100,063	67,291	670,612	143,993	26,296	1,090,762
1968	130,600	145,512	110,525	665,459	395,475	33,270	1,480,841
1969	132,036	154,552	110,283	486,686	450,498	141,781	1,476,106
1970	91,430	79,249	69,789	649,689	447,299	33,973	1,371,474
1971	117,339	138,190	72,287	923,912	322,098	219,987	1,793,813
1972	95,843	183,900	86,836	842,047	502,775	46,178	1,757,579

Estimates Lower for 1975 World Output of Oilseeds and Products

By ALAN E. HOLZ
Foreign Commodity Analysis
Oilseeds and Products
Foreign Agricultural Service

UNFAVORABLE WEATHER in the United States and India has lowered prospects for the coming year's world oilseed and meal production, which now appears likely to fall 4 percent below the alltime high estimated for 1974. On the other hand, production of fats and oils will rise some—by an estimated 0.6 percent from this year's volume—but at a much slower rate than in the recent past.

World output of **oilseeds and meal**[1] is seen declining to 63.8 million metric tons (soybean-meal equivalent) from 66.2 million in 1974. Increased U.S. soybean stocks, which as of the end of August are expected to be up by about 2 million tons (meal basis) from those of the same date last year, should cushion to some extent the effects of the decline. This cushion, plus larger foreign output, will allow some gain in world trade from the record 1974 levels. Moreover, the world output will still be the second largest on record, following an unprecedented 10.1-million-ton jump in output during 1974.

Growth in world production of **fats and oils**[1] will lag behind the pace of recent years, but output could still manage a gain of perhaps 275,000 tons to a tentative 46.2 million in 1975. In 1974, output is up nearly 4 million tons.

In contrast to the past situation, where growth in meal demand has generally enjoyed dominance, oil in the last year has been the most wanted oilseed product. This situation is seen continuing into 1975, contributing to further pressure on oil prices and possibly to accelerated growth in 1976 oil output.

The 1975 production estimates include the following key assumptions:

- The U.S. soybean crop to be harvested this fall will drop to about 1.3 billion bushels—26.7 million metric tons—from 1.57 billion bushels in 1973.
- Brazil's 1975 soybean crop will continue its rapid growth of recent years, hitting another new record of a projected 8.0 million tons, up 1.2 million from this year's harvest.
- Peruvian fishmeal output will continue recovery from the disastrously low outturn of 1973.
- Soviet sunflower production will ease to around 6.4 million tons from 6.75 million in 1973.
- India's drought-affected peanut crop will decline by at least a million tons from last year's record output of 6.0 million.
- Palm oil expansion will accelerate in Malaysia, with output rising by some 200,000 tons in 1975.
- A significant recovery will occur in Philippine coconut output as it climbs by perhaps 160,000 tons.

All-important to production prospects of both oil and meal is the state of the U.S. soybean crop, which accounts for nearly one-half of world meal output. U.S. soybean production this year has been plagued by unfavorable weather throughout the season, beginning in the spring with planting delays caused by torrential rains in the Midwest and continuing during the growing season in the form of drought. The planting delays, along with competition for land from corn and other grains, led to a reduction in estimated 1974 harvested acreage by about 4 million acres from the record 56.4 million acres harvested in 1973.

The recent drought has not affected the soybean crop as badly as corn, but its impact is nonetheless seen in yields estimated to decline by roughly 10 percent in 1974 from 27.8 bushels per acre last year.

Reflecting the smaller 1974 soybean crop, U.S. output of fats and oils in calendar 1975 is seen declining by 1.2 million tons to 10.9 million, reducing the U.S. share of world output to 24 percent—smallest since pre-1960.

On the meal side, prices in 1974 declined from the high level of 1973 as a result of a sharply increased crush and poorer profitability of livestock production.

The record 1973 U.S. soybean crop is allowing the United States to build up soybean stocks this year—to about 160 million bushels on August 31, compared with only 60 million the year before. This added cushion should allow the country to meet both domestic and foreign requirements in 1975, but with a sharp drawdown in stocks.

The other major contributor to the anticipated decline in world production is India, which has experienced weather problems similar to those in the United States. Delayed and erratic monsoon rainfall already has reduced Indian peanut crop prospects, indicating a 5-million-ton production—compared with 6 million last year—even if conditions return to normal for the remainder of the season. And continued below-normal rainfall could drop production another 500,000 tons.

Elsewhere, however, the outlook is for further production improvement.

Brazil, the world's second largest soybean producer-exporter, is estimated to have harvested 6.8 million tons of soybeans earlier this year, compared with 5 million in 1973. In 1975, this harvest is expected to increase by another 1.2 million tons to 8 million. Despite indications of accelerated growth in Brazil's domestic needs, the bulk of the increase is expected to move into export.

Additional production growth is also anticipated for soybeans in minor producing countries such as Argentina. The amount of such gains will be closely geared to soybean price prospects relative to alternative cash crops.

IN PERU, WHOSE fishmeal shortfall in 1973 was one of the major contributors to the spiral in soybean and grain prices, recovery is underway in fishmeal output. Production so far in calendar 1974 has amounted to 540,000 tons, compared with only 423,000 in all of calendar 1973. As usual, the Peruvian fleet is inactive this summer but is expected to resume fishing in September, at which time further production recovery is expected. If conditions re-

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[1] **Includes Northern Hemisphere crops harvested in the second half of 1974 combined with estimates of Southern Hemisphere crops to be harvested in the first half of 1975. Meal production data are calculated on the basis of assumed meal extraction rates applied to the portion of each crop available for crushing and/or export and not actual crushings.**

Polish Industrial Meat Plan May Boost Output, Exports

POLAND IS STILL trying to find solutions to its livestock and meat problem, considered by some Polish officials as one of the most pressing in the country's agricultural sector.

Meat production has increased steadily in recent years but not enough to satisfy domestic and export demands. Poland will probably try to limit imports and expand exports in 1974, even at the cost of domestic market supplies, and at the same time it will push plans to boost long-term output.

A program, designed to develop what the Polish Government calls industrial livestock production, is being implemented on installations controlled by the meat industry and on State farms under the supervision of the Ministry of Agriculture. The new livestock complexes—most of them yet to be built—will get backup support from a number of other organizations such as the Polish Academy of Sciences, the Meat Institute, and the Institute of Animal Physiology and Nutrition.

The first installation of this kind in Poland—Kolbacz farm—started operating early in 1973. Its current annual production goal is 36,500 slaughter hogs to be raised full cycle from sow to fattened animal. At present there are around 2,000 breeding sows on the farm with a total animal population of some 24,000 head.

Kolbacz farm has several unique features that will probably be copied by the other industrial installations now being built. Kolbacz was the first farm in Poland to use prefabricated buildings and to feed its animals by transporting nutrients to feed areas through pipes under pressure.

Kolbacz will also serve as a training center for administrators of other farms for industrial production of cattle or swine. At the present time, six farms the size of Kolbacz are being built on as many State farms.

Although these industrial livestock farms will gain importance progressively, their production will not have much impact on the country's meat needs until 1976, and their full value will not be realized until about 1980.

By the latter date, the Government expects to have a total of 17 such farms in swine production with about 576,000 breeding stalls. Cattle fattening farms using industrial technologies will total 77, with an estimated 169,400 stalls to be ready by the end of 1975. Several dozen other medium-size farms for fattening cattle will also have about 180,700 additional stalls ready by the end of that year.

The Government is also encouraging owners of private farms to engage in livestock production. By 1975, some 87,000 private farms are expected to produce cattle for milk and slaughter, swine, and sheep. By 1990, the total is expected to grow to 310,000 farms.

The largest number of these will be engaged in cattle production—60,000 farms in 1975, rising to an expected 220,000 in 1990. Private swine farms are expected to increase from 25,000 to 75,000 during the 15-year period, while the planned increase in sheep farms will be from 2,000 to 15,000.

Production data. Poland's cattle and swine numbers have increased every year since 1970-71, and were expected to reach 12.7 million head for cattle

Top, trimmed fresh hams at a slaughterhouse at Zerán, a suburb of Warsaw. These, and the sausages, right, also produced at Zerán, are sold on the domestic market. Far right, hams and other canned meats produced at the canning plant in Radom are exported to the United States. In 1973, total Polish meat exports were about $255.7 million.

and 21.5 million for swine by June 1974. Last year's cattle census listed 12.2 million cattle and 19.8 million swine on Polish farms on June 30, 1973.

Cooperative farms had the largest percentage of cattle increase between 1972 and 1973—16.2 percent—followed by State farms with 13.3 percent and private farms with 4.8 percent. However, it should be noted that co-op farms have only 2 percent of total cattle population, while State-owned cattle make up about 12 percent.

Cows on private farms represented 55.1 percent of the total cattle population, while State farms had 28.5 percent of the total and cooperative farms, 27.8 percent. The number of cows as a percentage of the total has been declining steadily since 1970, although the decline has been the least on private farms.

The number of young cows (less than 3 years old) and heifers both increased in 1973. All three agricultural sectors —State, private, and co-op—had an average increase of 9.2 percent in the number of heifers, with most of the rise taking place on private farms.

The growth in swine numbers that has been apparent for the past several years may be slowing somewhat as the result of lower prices received by farmers on the free market. Dropping steadily for the entire year, prices in December 1973 were 5.7 percent lower than those of the previous year. However, slowing of the swine production uptrend may be only short-lived and production will probably again pick up impetus as the Government's industrial livestock production program gains more headway in the future.

The sheep population declined again in 1973 to slightly more than 3 million head. This is a drop of 1.9 percent. Sheep numbers were especially low on private farms where the emphasis has been on more profitable swine production. In September 1973, the Polish Council of Ministers took note of the decline in sheep numbers and passed a special resoultion urging a boost in output. It is the Government's goal to expand the sheep population by an average of 8 percent annually to 3.5 million head by 1975.

Producer prices for livestock—including sheep—were up by an average of about 25 percent in October 1973, wool up 20 percent, and hides up 30 percent. Some observers believe it unlikely the sheep production target will be reached, however.

The horse population numbered 2.37 million head in June 1973 and 2.38 million in December. Considering that the number of horses is usually 50,000 head lower in December than in June, the reversed pattern in 1973 may indicate the recent decline in the horse population is coming to a halt.

In general, horses are used on small farms, but even larger ones face a shortage of mechanical equipment and a gasoline price boost that will take full effect in mid-1974.

The State purchased 2 million metric tons (carcass weight) of meat in 1973, compared with 1.8 million tons in 1972. To make up this total, the State's liveweight purchases were: Cattle, 856,600 tons; calves, 66,500 tons; ham hogs, 1.7 million tons; and bacon hogs, 134,100 tons.

The Polish meat industry's production of processed meats was 36,500 metric tons of bacon; 41,000 tons of canned hams; 84,000 tons of canned meats other than ham; 560,000 tons of smoked products, and 151,000 tons of uncured cooked products.

In 1973, Poland exported a total of 66,202 metric tons of fresh meat, compared with 43,578 tons in 1972. Bacon exports totaled 33,962 metric tons; canned hams and shoulders, 33,040 tons; and canned meats, 28,617 tons. There is no statistical breakdown for exports of fresh meat or for live animals. However, it is known that Poland exported beef, pork, and veal and live pigs, the latter for the first time in 7 years. Total value of 1973 meat exports is reportedly 28.6 percent above those of 1972, which would make a total of $225,750,000.

The demand for Polish meat products was much higher on foreign markets than Poland's raw materials and processing capacities could supply.

No data are available for 1973 meat imports.

Per capita meat consumption in 1973 showed a 3 percent increase, rising from 130.7 pounds per person in 1972 to 135.1 pounds in 1973. It is anticipated consumption will grow even more in coming years—to 141.0 pounds per person in 1974 and to 145.0 pounds in 1975. Even with this increase, however, meat availability will not be sufficient to meet demand, particularly in small towns.

—Based on report from
Office of U.S. Agricultural Attaché
Warsaw

Swedish Market For U.S. Winter Produce Grows

SWEDEN, with its high standard of living and long winters, is an excellent market for U.S. winter produce. Generally, it ranks second or third only to Canada as the largest foreign market for U.S. lettuce, for example.

To expose Swedish consumers to other varieties of U.S. winter produce available, one of Sweden's largest food chains experimented with "American Weeks" in the fresh vegetable departments of its largest stores in the Stockholm area.

For a special week, iceberg lettuce, celery, red and green bell peppers, radishes, and beefsteak and cherry tomatoes were featured. Pears and apples from the Pacific Northwest also were massed in adjacent bins.

Large quantities of these products were displayed, topped with poster-type theme cards depicting produce in full color under a "Fresh from USA" streamer in red, white, and blue.

In addition, recipe leaflets were available along with price cards.

The food chain's promotion manager reports sales increased about ninefold over those of comparable periods, and the firm is now getting refrigerated container loads of mixed produce from a U.S. supplier.

U.S. pink grapefruit also "stole the show" in another demonstration staged by a large Swedish importer in 38 key stores in Stockholm. So successful was this effort that 10,000 cartons of the fruit were sold within a 2-month period —five times the normal sales volume.

During this demonstration, prices for medium-sized U.S. pink grapefruit were reduced to 17-19 cents each from the normal 22-26 cents.

According to the importer, grapefruit sales in Sweden have been gradually moving up for some time and have increased by 50 percent within the last 3 years. During the 1972-73 season, 4,210 cartons of Florida pink grapefruit were sold, compared with over 15,130 cartons during the 1973-74 season. Such an increase is significant because this particular importer's customers account for perhaps one-fourth of total Swedish imports of fresh fruit.

U.S. winter fruits and vegetables were promoted recently in Stockholm, Sweden by one of that country's largest food chains. Commodities featured in abundant display and decked with red, white, and blue theme cards, above, right, and below left, were iceberg lettuce, cherry and beefsteak tomatoes, celery hearts, radishes, and green and red bell peppers. Below right, U.S. pink grapefruit on display for a special demonstration in one of 38 key stores in the Stockholm area.

Soviet Livestock Progress Reported Favorable for First Half of 1974

Soviet livestock made relatively good advances during the first 6 months of 1974, according to data reported in *Izvestiya* July 20. Substantial gains were made in numbers of and outputs from livestock in the socialized sector, and in Government purchases of all livestock products, compared with the corresponding period in 1973. These results evidently were partly due to mostly favorable overwintering conditions, but more importantly to larger availabilities of feed supplies resulting from the Soviet crop output in 1973, net grain imports in 1973, and generally good pasture and other forage production in the first half of 1974.

As of midyear, each of the major categories of livestock in the socialized sector showed gains from a year earlier, with the largest percentage increases occurring in poultry and hog numbers.

In the socialized sector, production of meat increased 9 percent; milk, 8 percent; and eggs, 12 percent above first half-year outputs in 1973. The meat increase included 11 percent more pork, 8 percent more beef and veal, and 20 percent more poultry. Milk yields on collective and State farms gained 5 percent. The impressive increase in egg production was partly due to a 3-percent-higher average laying rate. No information was given on changes in numbers of or outputs from livestock in private holdings.

Government purchases of slaughter livestock, milk, and eggs from all sources also rose substantially, as compared with the first half of 1973, and plans for the first 6 months of 1974 reportedly were exceeded. Purchases of livestock and poultry, and of milk, each increased 9 percent, while egg purchases rose 11 percent.

Izvestiya also reported that the preliminary total sown area for this year's crops was about 534 million acres, compared to about 530 million reported a year earlier. The grain area planted was stated to be about 320 million acres, up 4.4 million from the previous year's level. Area sown to wheat, however, was reported to be about 148 million acres, compared with 156 million reported a year ago. This decrease apparently was entirely in spring wheat and reflected some switching to feedgrains. Areas planted to rice, corn for grain, cotton. sugarbeets, and sunflowers were specified as undergoing expansion this year, and the 1974 sowing plans were said to have been exceeded for spring wheat, rice, corn for grain, cotton, sugarbeets, and other unidentified crops.

A total of 31.4 million tons of mineral fertilizer reportedly was supplied to agriculture during the first half of 1974, about 9 percent larger than the 28.7 million tons made available in the first 6 months of 1973.

—By Angel O. Byrne, ERS

LIVESTOCK ON STATE AND COLLECTIVE FARMS, JULY 1, 1974

Item	1970	1971	1972	1973	1974	Increase over July 1, 1973
	Mil. head	*Mil. head*	*Mil. head*	*Mil. head*	*Mil. head*	*Percent*
Cattle	73.0	76.6	79.6	81.3	84.0	+3.3
Cows	24.2	24.8	25.0	26.0	26.8	+3.0
Hogs	44.5	51.0	51.6	51.8	54.5	+5.2
Sheep & goats	134.9	137.9	135.3	139.6	145.8	+4.4
Poultry	425.8	474.5	502.4	521.6	557.1	+6.8

ECONOMIC GROWTH, TRADE DECLINE OVERSEAS

Economic growth slumped to its lowest point yet the first half of 1974 in six major U.S. markets—Canada, Japan, France, Germany, Italy, and the United Kingdom—based upon preliminary estimates by the Organization for Economic Cooperation and Development (OECD).

Despite these grim findings, however, the OECD forecasts real growth to accelerate over the next year—at a rate of 4.8 percent the second half of 1974 and 5.4 percent the first half of 1975.

On the average, the growth rate was only 0.3 percent (seasonally adjusted at an annual rate) in this period, compared with a long-term average of 7.5 percent. (Averages for the six countries as a group are calculated on a weighted basis using U.S. farm exports as a basis of weighting.)

The most significant change between the first and second halves of 1974 is projected for Japan and the United Kingdom. Estimates for the first half tag Japan with a 2 percent decline, but indicate a 5.7 percent increase during the latter half. For the United Kingdom, the first half should bring a 6.1 percent decline, with a similar increase projected for the latter half.

Although growth rates generally will be on the upswing over the next 12 months, they still will be less, on the average, than long-term rates—namely, those of the 1960's.

Internal growth, too, should gather momentum over the next 12 months, compared with that during the last 6 months. More than this, the OECD expects the volume of trade to expand in a similar manner.

U.S.-Philippine Talks

The Philippine Government has rejected the investment and trade treaty proposed by the United States to replace the now expired Laurel-Langley Agreement. While the negotiations, held June 20-July 15 in Manila, did not produce agreement on the text of a new treaty, they did identify important trade, investment, and related issues.

The discussions were also useful in clarifying the views of the two governments, and this should facilitate future meetings. During the talks, the Philippine Government indicated that it intends to rely on the generalized system of preference (GSP) and multilateral trade negotiations (MTN) in achieving its trade objectives. A second set of consultations may take place in October.

Potential For Institutional Foods in JAPAN

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Dramatic changes in Japanese lifestyles and eating habits—triggered by sharply higher incomes and other social changes—are offering new opportunities for U.S. exporters of processed and semiprocessed foods, particularly to the institutional trade. Japanese consumers are eating more meals in restaurants than ever before, a trend that promises to strengthen, and many are choosing Western-style foods.

Today, the average Japanese eats one out of every 10 meals outside of the home. Within the next 3 years, this ratio is expected to advance to an astonishing one in five. Although this trend has boosted the numbers and gross sales of all types of restaurants, the growth rate and the average sales of restaurants selling Western-type foods have increased the fastest.

Underlying the changes in Japanese lifestyles are rising consumer incomes and more leisure time. Per capita incomes reached $3,827 last year, up from $2,250 in 1972 (some of the gain is due to changes in the dollar-yen exchange rate), and incomes continued to soar in early 1974. The prevailing trend toward the adoption of a 5-day work week portends a further increase in leisure time with which the Japanese may enjoy the "good life."

As incomes rise, major changes are also taking place in eating patterns. Consumption of chicken, pork, beef,

McDonald's Ginza store, top, registered the highest per-day sales of any in the worldwide chain. Food service in Tokyo bar, above, and at a popular beer garden, right.

cheese, milk, fruits, and vegetables is growing. Although the rice-centered meal with side dishes of fish, vegetables, and fruit is still basic in the home, Japanese consumers are seeking a greater variety of foods when they eat out. As a result, virtually any type of food served in the world is beginning to be found in restaurants in the larger Japanese cities.

Further, almost all entertainment for business purposes in Japan is done outside the home. A typical Japanese businessman entertains associates at a restaurant, bar, or cabaret. As a result, a very substantial service sector has developed to meet the need for business entertainment.

To cope with the rising demand for eating-out facilities, Japan's food service industry has grown conspicuously in recent years. In 1962, annual gross sales by the food service industry totaled $2.25 billion (US$1=280 yen). By 1972, the industry had expanded five times over to reach $11.43 billion.

By 1972, Japan had approximately 484,000 restaurants of all types. This represented a 13.6 percent increase in number with a 34.7 percent increase in gross sales over 1970, the last previous year that such statistics were compiled.

Cumulative inflation, as measured by changes in the consumer price index, during the 2-year period 1970-72 accounted for only about a third of the increase in gross sales.

Restaurants serving Western-style foods have jumped to the top of the growth rate chart, and they have also increased their average per-store sales at a more rapid rate than other style restaurants. In 1970, sales per store in Western food restaurants averaged $68,000. By 1972, this had increased to $75,000. By comparison, the second largest sales volume in 1972 at $43,000 was registered by Japanese food restaurants.

At the close of 1972, the 15 foreign fast-food enterprises operating in Japan had 170 outlets. By the end of 1973, the number of outlets had zoomed to 500. These enterprises, each specializing in a single category of fast service food, such as hamburgers, fried chicken, doughnuts, ice cream, pizza, or stews are expected to have more than 2,500 outlets in Japan by the end of 1975. Practically all of these restaurants are joint ventures between U.S. and Japanese firms.

The success of these American-type foods and food service restaurants in Japan is readily apparent. For example, Mister Donut, a joint-venture firm, recently disclosed that 1973 sales reached $14 million, a staggering 260 percent jump over the previous year.

The Tokyo-based Japan McDonald's announced sales totaling $13.5 million in 1973, more than double the previous year's sales of $6.4 million. The McDonald's store in Ginza, a busy downtown street in Tokyo, recently sold $10,607 worth of hamburgers in 1 day. This is said to be the highest daily sales ever achieved by any of the company's 3,200 stores, which cover 16 countries. Kentucky Fried Chicken is also doing very well, and has opened 100 outlets in Japan since 1970.

Industry sources in Japan predict that sales of institutional-type packs will total $20.3 billion in 1975 and $38.2 billion in 1978, indicating that the sales volume for institutional foods, as a group, will outpace the growth of the flourishing food service industry. The rising volume of food utilized by the institutional food trade is indicated by a Japan Frozen Foods Association study showing that 62.4 percent of Japan's frozen food production in 1972 was for institutional use.

Rising wages and more leisure, which have stimulated the food service industry, have also boosted the labor and material costs of restaurant operators. In turn, these higher operating costs have helped to stimulate the market for institutional foods by encouraging restaurant and hotel operators and chefs to institute economies.

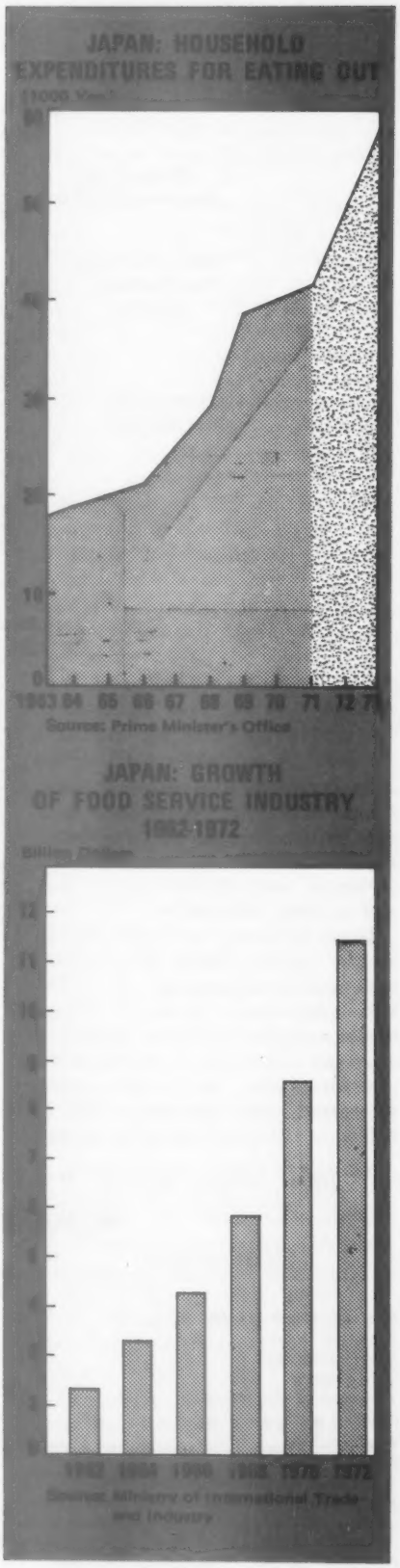
The use of institutional foods, especially convenience foods, increases efficiency by eliminating much preparation time, saving labor costs, and stabilizing material resources. On the average, labor costs account for 30 percent of total gross income in conventional restaurants in Japan, compared with labor costs of only 5 to 8 percent in Western-style fast-food restaurants, most of which utilize institutional-type convenience foods.

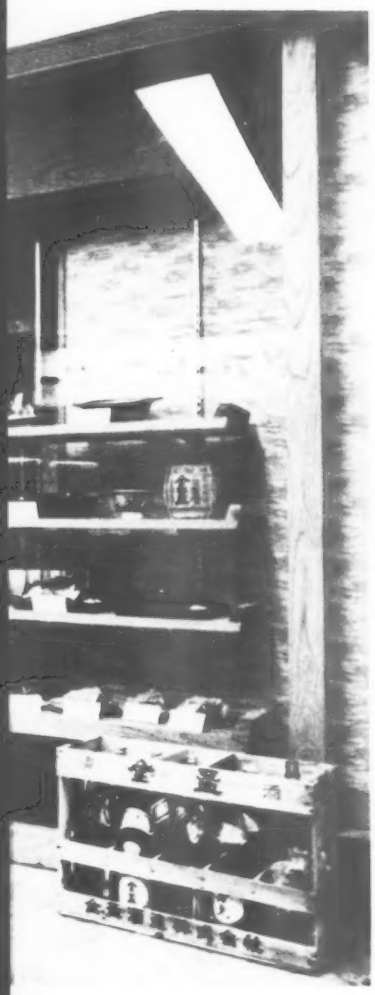
In spite of the increasing interest in institutional food, Japanese food handlers have been slow to recognize the full market potential of these foods. However, increased demand for such foods is now forcing distribution channels to include them.

Recently, specialized brokers and wholesalers, as well as general whole-

Typical Japanese restaurant, left, with wax models of the dishes available displayed in window showcase. Below, company staff cafeteria.

Modern, attractive coffee shops, left, are popular with the Japanese. Rising incomes and more leisure time are leading Japanese consumers to eat more meals in restaurants than ever before, and Western-style foods are gaining popularity.





Typical Japanese restaurant, left, with wax models of the dishes available displayed in window showcase. Below, company staff cafeteria.

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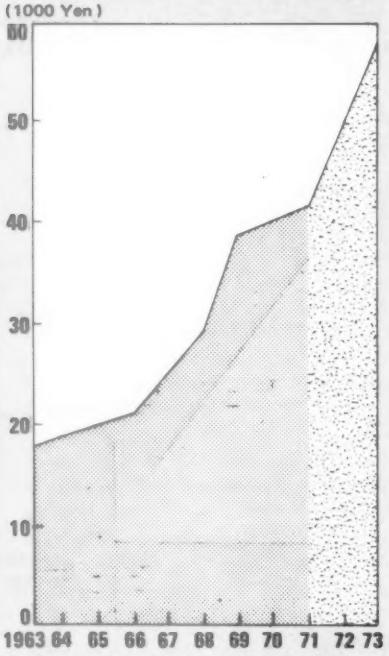
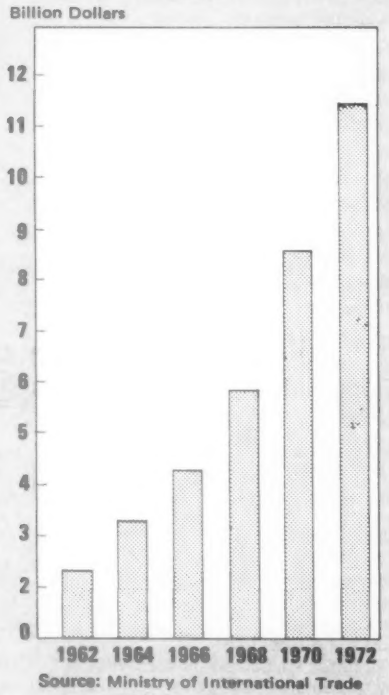
JAPAN: HOUSEHOLD EXPENDITURES FOR EATING OUT



Source: Prime Minister's Office

JAPAN: GROWTH OF FOOD SERVICE INDUSTRY 1962-1972



Source: Ministry of International Trade and Industry

India Expects Gains in 1974-75 Fertilizer Output and Imports

By JOHN B. PARKER, JR.
Foreign Demand and Competition Division
Economic Research Service

FERTILIZER USE in India during 1974-75 is expected to increase about 8 percent—well below the average annual increase of 31 percent recorded between 1967-68 and 1971-72, but an improvement over the 3 percent gain of 1973-74.

About 3 million nutrient tons of fertilizer are expected to be applied in 1974-75, compared with 2,783,000 tons in 1972-73 and only 1,165,000 tons in 1967-68.

Government surveys indicate that India's farmers would have used 4.4 million nutrient tons of fertilizer this year and 3.8 million tons last year, had supplies been available at prevailing prices. However, the Government's fertilizer consumption estimates consistently have been more than 25 percent above actual use.

Expansion of fertilizer use has been one of the major achievements of the Green Revolution, and it has been closely related to the spread of high-yield varieties of cereals, improved irrigation, and multiple cropping.

Since the physical land area suitable for growing crops is not expected to increase by even 8 percent in the next 10 years, most future production gains must come from higher yields and multiple cropping. Expanding fertilizer use clearly ranks among the major priorities outlined in the Fifth 5-Year Plan (1974-75 through 1979-80).

India's fertilizer situation has changed often in the past decade. The 1966-68 shortage changed to a surplus in 1969-71, but shortages have prevailed since 1972. Stocks of nitrogen fertilizer accumulated during the surplus period are now declining rapidly.

During the late 1960's, fertilizer prices were held relatively constant at levels that encouraged farmers to use more. Striking gains in crop prices received by farmers contributed to a rise in demand for fertilizer, despite higher prices. But Indian farmers still pay less than world prices, primarily because of Government ceiling prices and regulation of marketing margins.

By 1980, India probably will be the world's largest fertilizer importer, with foreign supplies accounting for about 40 percent of the 5.7 million nutrient tons that are expected to be consumed annually. Shortages of feedstocks may prevent India from reaching fertilizer production targets.

But output of fertilizer in 1979-80 may reach 3.3 million nutrient tons (2.5 million nitrogen and 800,000 phosphate) if arrangements can be made to allow foreign investment. This situation still would leave an import need of more than 2 million tons.

Some of the larger fertilizer manufacturing facilities now being built will use coal—one of India's ample resources—and natural gas as feedstocks.

NAPHTHA, THE raw material currently used in the manufacture of about 70 percent of India's nitrogen fertilizers, is a petroleum byproduct. About 1.2 tons of naphtha are required to produce 1 ton of nutrient fertilizer. The price of this raw material accounts for about 35 percent of the direct cost of nitrogen production, and therefore is critical to total fertilizer production cost.

Expanded planting of high-yield varieties of cereals from 4.6 million acres in 1966-67 to about 60.5 million acres in 1973-74 was a major factor in rising demand for fertilizer. Higher farm prices, expanded irrigation facilites, and multiple cropping also boosted demand. India's fertilizer output increased from 400,000 nutrient tons to 1.4 million nutrient tons between 1967-68 and 1972-73. Yet India's total fertilizer output has continued to lag behind burgeoning demand.

Fertilizer factories in India consistently have operated at less than 60 percent of capacity, although the newer plants perform at a somewhat higher level. The opening of new plants should enable India to boost output of nitrogen fertilizer to 1.3 million nutrient tons in 1974-75, and output of phosphate fertilizer to 376,000 nutrient tons.

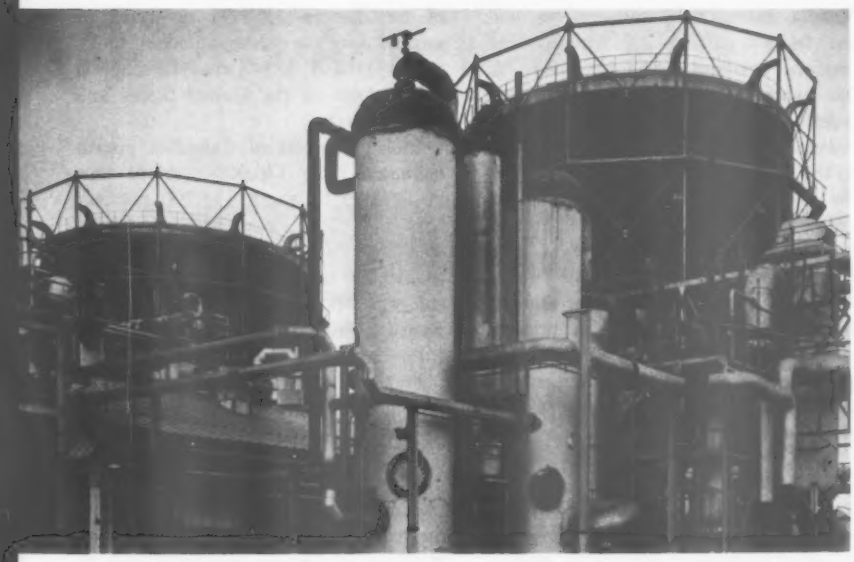
Both the timing and the volume of monsoon rainfall greatly influence the benefit India derives from fertilizer applied to rice—a crop that received 31 percent of the 1973 fertilizer supply. Fertilizer used by rice farmers during 1973-74 was estimated at 860,000 nutrient tons. Total usage of rice in 1974-75 might reach 1.1 million nutrient tons if monsoon rainfall is favorable.

Another 25 percent of the 1973 total fertilizer supply went to wheat fields, 18 percent to sugarcane, and 12 percent to coarse grains.

It is difficult to predict accurately just how much additional gain could be obtained from extra fertilizer because of the great variations in rainfall. The supplemental grain that might be obtained by applying an additional 1 million nutrient tons of fertilizer in India could range from 3 million tons of grain with poor timing of rainfall to as much as 17 million tons under ideal conditions.

The best response from fertilizer is obtained during the winter growing season on irrigated land. Benefits during the summer monsoon season are usually much lower.

India's plans for a quick boost in grain production are beset by numerous problems. The timing of fertilizer de-



Indian farmer dusts fertilizer on rice, left. Above, part of Trombay fertilizer plant. Opening of new nitrogen fertilizer plants in India is expected to add about 1.3 million nutrient tons to 1974-75 fertilizer output.

liveries to growing areas, for example, is of great importance to farmers. Availability of credit—or lack of it—for purchase of fertilizer greatly affects consumer sales. Cooperatives provide most of the financing of fertilizer sales in India. The Fertilizer Corporation of India (FCI), a public agency, sells fertilizer only for cash. Inability to obtain credit can be a deterrent to purchases by small farmers.

Indian farmers have faced increased taxation of inputs in recent years. In March 1969 a 10 percent excise tax was levied on fertilizer, and in 1972 an additional 5 percent excise was implemented.

Greater output by new fertilizer factories that recently began operating at Goa, Durgapur, and Cochin should boost India's fertilizer output to about 1.7 million nutrient tons in 1974-75. Fertilizer imports are expected to rise from the 1.24 million nutrient tons reported for 1973-74 to about 1.4 million nutrient tons during 1974-75.

Farmers in progressive areas—particularly in Punjab and Haryana—use about 40-45 percent of the optimum rate of fertilizer application, but the average for all India still is less than 25 percent. Farmers are convinced that using fertilizer will improve their yields. Yet few farmers will follow Government research recommendations and apply the optimum amount—the level reached when additional fertilizer does not bring extra profits.

Most farmers prefer granular fertilizer, applied by hand. The situation in the mid-1960's, when many farmers would not use fertilizer, has changed greatly. About half of the farmers now use some fertilizer, compared with less than 15 percent a decade ago.

Excellent opportunities to make profits from growing high-yield varieties of cereals have been a major factor in the booming demand for fertilizer. Higher prices of sugarcane, cotton, tobacco, and coffee also have bolstered demand for fertilizer.

MANUFACTURE of nitrogen fertilizer in India expanded steadily from 309,000 nutrient tons in 1966-67 to 1,054,900 tons in 1972-73, mostly because of the opening of new factories. In the first 9 months of 1973-74, production lagged behind the previous year, but output from the new factory at Goa pushed the 1973-74 total to about 1.07 million nutrient tons.

The country's largest fertilizer factory is near Baroda, Gujarat. It is operated jointly by a private firm and the Governments of India and Gujarat. Output there increased from 40,000 nutrient tons of nitrogen fertilizer in 1967-68 to 203,000 nutrient tons in 1972-73, but shortages of imported naphtha and power problems caused a dip in production in 1973-74.

Fertilizer factories operated privately or jointly by foreign companies and the Indian Government have had a good record of production gains. Privately operated factories at Baroda, Visakhapatnam, Kanpur, and Madras produced 497,000 nutrient tons of fertilizer in 1972-73, compared with only 47,000 tons in 1967-68.

India's manufacturers are beginning to use phosphate mined in Rajasthan. The higher cost of imported phosphates has accelerated plans to mine phosphates in India. About 31 small factories produce superphosphates, and seven larger factories produce complex fertilizer containing phosphate. No potash is mined or produced in India.

The large new factories at Madras, Goa, and Visakhapatnam are capable of producing complex ammonium phosphate fertilizers containing both nitrogen and phosphate.

Factories in India had the capacity to manufacture more than 2.1 million nutrient tons of nitrogen fertilizer in January 1974. The new factory at Goa that began production in late 1973 accounted for about 10 percent of total Indian production capacity for nitrogen fertilizer.

The new public factories that began operating in 1973-74 at Durgapur and Cochin produced only token quantities of fertilizer, and are not expected to approach even 50 percent of capacity in 1974-75 since about 3 years usually are needed to reach normal operating capacity.

Another FCI factory is scheduled to open in October at Barauni. It also has a capacity to produce 152,000 nutrient tons of nitrogen fertilizer annually—the same as the factories at Durgapur and Cochin.

In December, the expanded facilities at Namrup are scheduled to begin operating—again adding the same volume of capacity as that at each of the other FCI installations.

In December, a large privately operated factory with a capacity of 258,000 nutrient tons of nitrogen annually is scheduled to open near Tuticorin, Tamil Nadu. The factory also is equipped to produce blended fertilizer and diammonium phosphate.

Imported naphtha will provide the factory with necessary raw materials in the first months, but naphtha probably will come from a nearby Indian Oil Company refinery in the future. Japanese and Swiss credits and tech-

nology were involved in constructing the factory.

British and Dutch financing and credits were used in building the new plant at Mangalore, Karnatuka. Commercial production is expected to begin late in 1974 at the plant, which has a capacity of 340,000 tons of urea annually. A factory operated by the Indian fertilizer cooperatives is scheduled to open in Kandla early in 1975 after several years of delay.

The plant is to have a capacity to produce 215,000 tons of nitrogen fertilizer annually.

By 1980, India's fertilizer capacity is expected to be about 5.3 million nutrient tons—about double the 1973-74 level. Four large, new factories at Korba, Ramagundam, Talcher, and Haldia are expected to turn out about 1 million nutrient tons in 1980.

Three of the plants will use India's abundant coal as a feedstock, and the factory at Haldia will use oil. The greater use of coal by new factories will lessen the adverse impact of higher petroleum prices.

The larger fertilizer factory at Kandla, managed by cooperatives, will use India's natural gas resources to produce fertilizer. India also plans to use natural gas imported from Bangladesh for new fertilizer factories planned for construction in West Bengal in the late 1970's. However, naphtha—the increasingly expensive byproduct of petroleum—still will account for most of the feedstock used by India's fertilizer factories during the late 1970's.

A slight increase in fertilizer imports is planned. Striking gains in imports during 1974-75 from the USSR, Poland, and Bulgaria through trade agreements are expected to more than offset smaller arrivals from Japan and Western Europe. Modest gains are expected in imports from the United States, Canada, Kuwait, and Norway.

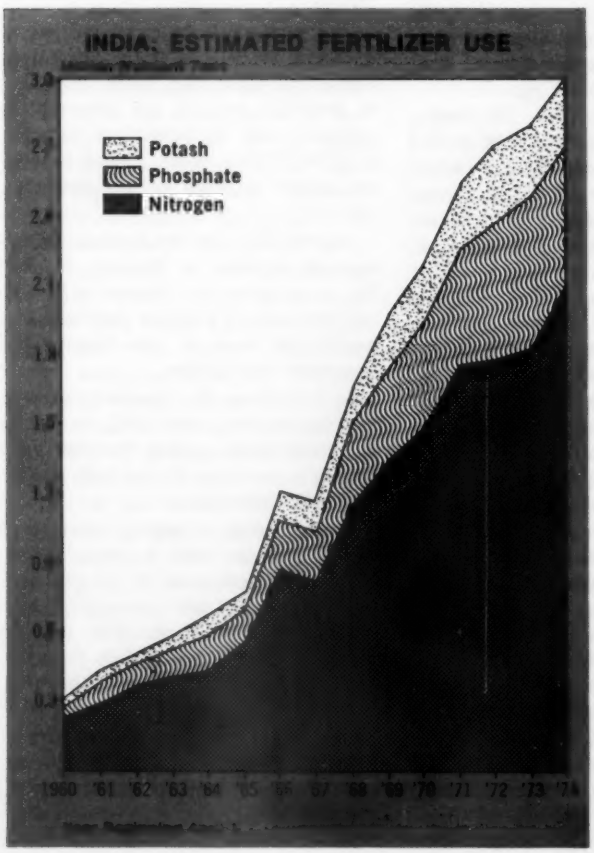
India's total imports of fertilizer are expected to increase from 1.24 million nutrient tons in 1973-74 to about 1.38 million nutrient tons in 1974-75. Higher prices of fertilizer could push the value of India's fertilizer imports above $700 million in 1974-75—about double the previous peak in 1967-68.

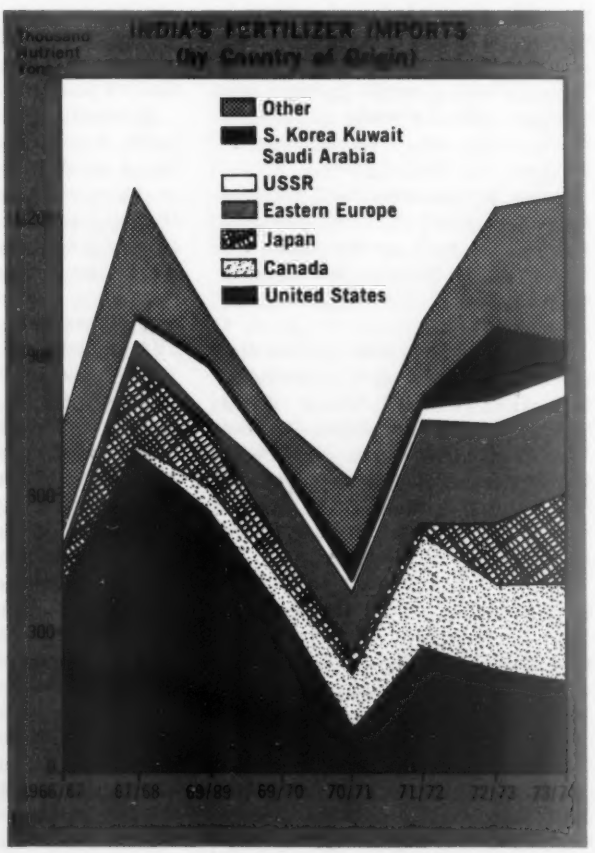
Canada was India's major supplier of fertilizer in 1973-74 in terms of quantity, but the predominance of lower priced potash left Canadian exports below those of the United States and Japan in value.

India's imports of Canadian potash increased from 130,000 nutrient tons in 1972-73 to about 191,700 nutrient tons in 1973-74, when small quantities of blended fertilizer brought the total to 210,200 nutrient tons. This quantity still was below India's imports of the record 248,000 nutrient tons imported from Canada in 1971-72.

Fertilizer prices continued to rise throughout first-half 1974. On June 1, the Indian Government increased the official retail price ceilings on all nitrogen fertilizers and other imported fertilizers by 55 to 125 percent. On May 31, the price of naphtha used for nitrogen fertilizer production was increased by about 93 percent.

All these price rises grew out of the higher cost of inputs in production of nitrogen fertilizers, as well as sharply higher prices of imported fertilizers. Prices of other domestically produced fertilizers also are being revised.





CROPS AND MARKETS

LIVESTOCK AND MEAT PRODUCTS

Canada Takes Action On DES and Cattle Trade

On August 2, 1974, the Canadian Government announced that it had accepted a U.S. proposed certification program to insure that imports of cattle, beef, sheep, lamb, and mutton from the United States had not been exposed to DES (diethylstilbestrol). Canadian imports of these products from the United States had been banned since April 9, because use of DES as a growth stimulant is not permitted in Canada. The U.S. certification program is being implemented by the Extension Service and the Animal and Plant Health Inspection Service of the U.S. Department of Agriculture.

At the same time, the Canadian Government also announced the adoption of a deficiency payment program for live cattle, coupled with an import quota system for live slaughter cattle and fresh and frozen beef and veal. Both of these programs are applicable for 1 year, beginning August 12.

Under the deficiency payment program, support will be given for all Canadian cattle grading A, B, and C—about 82 percent of Canadian cattle marketings. Payments will be designed to insure a national average return of C$45.42 per hundred pounds for A-1 and A-2 steers. Payments will be adjusted on the basis of class and grade, and the average may be increased if the farm input price index advances more than is currently expected during the duration of the program.

Under the import quota program, Canadian imports of live slaughter cattle, and fresh and frozen beef and veal will be limited to the average level of imports during the 5-year period, 1969-73, inclusive, with not more than 30 percent of the annual quota permitted entry in any one quarter. Quotas will be allocated among supplying countries on the basis of their share of Canadian imports during these 5 years.

The total import quota for the year beginning August 12 will be 82,835 head of live cattle and 125.8 million pounds of fresh and frozen beef and veal. The U.S. share of the total quota will be virtually all of the live cattle and about 17.9 million pounds of fresh and frozen beef and veal. U.S. exports of these products to Canada in 1973 totaled 185,300 head of live cattle and 28.4 million pounds of beef and veal.

New U.K. Swine Disease Outbreak

Hardly a week after the lifting of all outstanding swine vesicular disease restrictions in the United Kingdom, the Ministry of Agriculture on July 19 confirmed an additional outbreak at Chesterfield, Derbyshire, England. As a result, a control has been imposed over this and surrounding sectors.

EC Includes Animal Fats In Beef, Veal Import Ban

On July 16, 1974, following the European Community's import bans on beef and veal, the EC issued two ordinances, effective August 15, 1974-April 5, 1975, banning imports of meat and meat items for which no import duties or levies have been paid and which are destined to be reexported with or without processing. Edible tallow and edible and inedible hog grease and lard are included in this category.

The EC Commission also has proposed an import ban on beef and pork products destined for reexport in finished product form. If this ordinance becomes effective, imports of tallow and products, such as stearines, margarine, imitation lard, and other prepared edible fats will also be banned.

France Bans Lamb Imports

The reecnt French decision to ban all imports of fat lambs is expected to affect the Irish sheep trade adversely. During 1973, France accounted for 53 percent (10.9 million lb.) of the Irish mutton and lamb export trade. Thus far, 1974 exports have maintained a pattern similar to that of 1973.

GRAINS, FEEDS, PULSES, AND SEEDS

India's Monsoon Shows Improvement

For the second week, monsoon activity over India continued to improve during the week ending August 7. Generally all of south India, and most of Maharashtra received normal or above-normal rainfall. Several parts of northern and extreme northeastern India also received moderate to heavy rains with central India from the east and west coasts receiving below-normal precipitation. The week ending August 7 has been the best India has had to date during the current monsoon season, with areas accounting for roughly half of India's cereal grain production receiving normal or above-normal rainfall.

The overall performance of this year's southwest monsoon is substantially below the good to excellent monsoons of 1970, 1971, and 1973, but somewhat better than the poor 1972 monsoon. In relation to the current monsoon, the 1972 monsoon was stronger from roughly mid-June to around mid-July, but then diminished considerably until about the first week in August. Whether the 1974 monsoon will continue to be better than the 1972 monsoon will depend on its performance for the balance of the season.

EC Commission Rejects Wheat Denaturing Subsidy

The European Community Commission has decided not to reinstate the subsidy for denaturing wheat for feed use during 1974-75. The subsidy was removed in February this year in the face of world wheat shortages.

Most of the time it was in force the denaturing subsidy had been pegged at more than $20 per metric ton. With its cancellation early this year, wheat denaturing dipped to 4.2 million tons during 1973-74, from an average of about 6

million tons in recent years. Total wheat fed in the EC during 1973-74 showed a similar drop, declining to about 12 million tons from almost 15 million tons in 1972-73. In the case of a dramatic, unforeseen change in the EC and world grain situation during 1974-75, the Commission could reverse its decision and reinstate the denaturing subsidy.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Aug. 13	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.60	−3	5.82
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.42	0	5.97
15 percent	5.48	−1	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	5.14	−6	5.93
No. 3 Hard Amber Durum	7.72	+7	(1)
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	4.15	+10	3.81
Argentine Plate corn	4.29	+11	3.93
U.S. No. 2 sorghum	3.76	−2	3.56
Argentine-Granifero sorghum	3.79	−3	3.52
U.S. No. 3 Feed barley	3.36	+3	3.39
Soybeans:			
U.S. No. 2 Yellow	8.56	−45	10.56
EC import levies:			
Wheat[3] [4]	0	0	0
Corn[5] [4]	0	0	0
Sorghum[5] [4]	0	0	0

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Levies applying in original six EC member countries. Levies in UK, Denmark and Ireland are adjusted according to transitional arrangements. [5] Italian levies are 19 cents a bushel lower than those of other EC countries. Note: Price basis 30- to 60-day delivery.

TOBACCO

U.S.-China Tobacco Trade Develops

Reciprocal trade in unmanufactured tobacco between the United States and the People's Republic of China (PRC) showed new signs of growth in fiscal 1974. China, once a major market for U.S. leaf became a major producer of tobacco during the embargo on trade between the two countries. With trade relations restored in 1972, the tobacco trade has been anxious to resume trade with China.

U.S. exports to the PRC during fiscal 1974 totaled 3.4 million pounds valued to $4.1 million. The average value of $1.20 per pound indicates the leaf is high quality flue-cured and burley used to upgrade the quality of cigarettes manufactured in China.

Some two-way trade has reportedly developed though China, as yet, has not been granted most-favored-nation (MFN) tariff treatment. U.S. imports (arrivals) of Chinese tobacco during fiscal 1974 reached 2.7 million pounds valued at $1.4 million (52 cents per lb.). This is up from 66,000 pounds valued at $17,000 the previous year.

Much of this tobacco may be reexported due to the high duty on Chinese imports. During fiscal 1974 duty-paid imports (for consumption) were only 178,000 pounds valued at $52,000. This tobacco is charged the full import duty of 35 cents per pound, compared with the MFN rate of 12.75 cents per pound.

U.K. Government Expected To Permit Tobacco Substitutes

The U.K. Government committee looking into the health aspect of tobacco substitutes is believed ready to report that the new smoking materials (NSM) investigated do not add to the risks of smoking.

British cigarette manufacturers have been considering at least three substitute materials, one of which apparently will be made in the United States. Cigarette companies reportedly are now preparing to launch national sales campaigns to promote new brands containing the NSM's.

No information is available as to the makeup of the NSM's, their cost, and quantities to be used or, most importantly, their probable acceptability to smokers. To the extent they prove acceptable, the substitutes initially are likely to displace neutral filler tobacco in cigarette mixtures.

It appears certain that NSM will be subject to at least the same rate of tax as applied to tobacco, about US$13.50 per pound. However, it appears unlikely the Government will permit any claim that NSM will make smoking safer.

Related to approval of tobacco substitutes is the status of the longstanding U.K. prohibition of additives and flavorings in cigarette tobaccos. It is believed that once the Government approves use of NSM, it will have to rescind the nonadditives restriction. This could open up the British market to blended, flavored cigarettes.

DAIRY AND POULTRY

EC Egg Export Subsidy Reimposed

The European Community Commission has announced that as of August 1, 1974, the export subsidy on shell eggs (other than hatching eggs) was increased from zero to 18 units of account (u.a.) per 100 kilograms. The equivalent in U.S. cents per pound is 10.33 in Germany and 9.53 in France. The subsidy in cents per dozen would be 15.5 in Germany and 14.3 in France, for eggs with an average weight of 1.5 pounds per dozen.

EC Sets Poultry, Egg Gate Prices and Levies

European Community gate prices (minimum import prices) for broilers, turkeys, and poultry parts were increased on August 1 by amounts ranging from 13 to 36 percent, compared with May 1 gate prices. Lower feedgrain costs, as a result of reduced feedgrain conversion coefficients, were more than offset by higher standard amounts, which represent all other costs.

Largest increases in gate prices were for turkey parts, with

a simple average increase of 26 percent for all parts. This more than compensates for an average decrease in prices of U.S. turkey breasts, thighs, drumsticks, and rolls of only 7 percent on the Hamburg market from May 1 to July 22.

Along with the increase in gate prices, import charges on turkey parts increased sharply. Although there were relatively small changes in variable levies, higher supplemental levies resulted in increases in total charges on whole turkeys, turkey breasts, drumsticks, thighs, and boned turkey of amounts ranging from 28.8 cents per pound for boned turkey to 6.21 cents per pound for turkey drumsticks.

In terms of percentages, increases in import charges for the products mentioned ranged from 81 to 260 percent.

Prefixing Extends EC Cheese Export Subsidy

Subsidies on the export of cheese from the European Community to the United States were reduced to zero as of July 12. However, a system of prefixing of subsidies assures an exporter that the then-current subsidy will apply for exports made as far ahead as 180 days if the subsidy were applied for by July 12. As of late July, prefixing may have covered as much as 25,000 tons (55 million pounds) of potential exports of cheese from the EC to the United States. By comparison, 87 million pounds of cheese entered the United States from the EC during January-June 1974.

OILSEEDS AND PRODUCTS

Canada's Oilseed Acreage Estimates Revised Upward

Official estimates of acreages of oilseed crops for all of Canada (compared with earlier estimates for the Prairie Provinces only), indicated no change in the estimated 1974 flaxseed area of 1.5 million acres, up 3 percent from 1.45 million in 1973.

Rapeseed area, however, at 3.26 million acres, increased 60,000 acres from the July 11 estimate, indicating a 3 percent increase from the 1973 area of 3.15 million acres.

Released July 26, the first estimate of 1974 soybean area was for 450,000 acres, indicating a decline of 4 percent from the 470,000 acres of 1973.

Malaysian Palm Oil Output Up

West Malaysian palm oil production totaled almost 317,000 metric tons for the first 5 months of 1974, compared with 267,000 metric tons for the same period of 1973, an increase of about 19 percent. Total 1974 production is forecast at 910,000 metric tons, up 23 percent from the 740,000 tons produced in 1973.

Palm kernel production in the first 5 months of 1974 was about 66,000 metric tons, up about 16 percent from the 57,000 metric tons the same period last year. The forecast for all of 1974 is for 210,000 tons, 55,000 tons above the 155,000 tons produced in 1973.

Exports of palm oil from West Malaysia during January-May 1974 totaled about 284,000 metric tons, down 2 percent from the 289,000 metric tons exported during the same 1973 period. Total palm oil exports from West Malaysia this year are forecast at 880,000 metric tons, and palm kernel oil exports may reach 95,000 metric tons. Total exports of palm and palm kernel oils in 1973 were 724,000 tons and 66,000 tons, respectively.

Production of palm oil in 1974 in East Malaysia (Sabah only) is forecast at 115,000 metric tons, up sharply from the 1973 level. The entire production is expected to be exported. Palm oil exports from East Malaysia were 24,200 metric tons for the first 5 months of 1974.

FRUIT, NUTS, AND VEGETABLES

Colombia's Cut Flower Export Subsidies Queried

The U.S. Treasury has published a conditional negative countervailing duty determination on imports of cut flowers from Colombia. This action is based upon the Department's finding that Colombia has been making export subsidy payments of 10.2 percent to producers.

Effective July 17, 1974, however, these payments would be made to a Colombian Government agency instead of to producers. Therefore, the Treasury Department conditionally determined that a subsidy is not now being paid to producers or exporters. Interested parties have until August 20 to make written presentations concerning the determinations.

U.K. Tax Reduction Affects Orange Juice

The U.K. Government announced on July 22 that it will reduce its value added tax (VAT) from 10 percent to 8 percent, following U.S. representations objecting to the tax. The 10 percent rate was applied as of April 1 this year to a category of selected items that included frozen concentrated orange juice, an important item to the United States.

For a full year prior to April 1, imports of U.S. orange juice had been free from a U.K. tax after having been subjected for many years to a purchase tax ranging from 18 to 22 percent.

Other Foreign Agriculture Publications

- Sisal and Henequen Output in 1974 Forecast Down Slightly; Abaca To Increase (FVF 2-74)
- World Tobacco Trade Remains High in 1973 (FT 3-74)
- May Exports of Raw Cotton Push Cumulative 1973-74 Total to Nearly 5 Million Bales (FC 15-74)
- Current Status of Cotton and Cotton Products Operations Under Public Law 480 (FC 16-74)
- May U.S. Trade in Livestock, Meat, and Meat Products (FLM-MT 6-74)
- U.S. Trade in Livestock, Meat, and Meat Products for April (FLM-MT 7-74)
- Dictionary of Terms Used in the Hides, Skins, and Leather Trade (Agriculture Handbook No. 465)
- World Agricultural Production and Trade Statistical Report (July 1974)

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World Oilseed Prospects

Continued from page 4

main favorable, total output could recover to 1.2 million tons in 1974 and 1.7 million in 1975.

Peruvian fish oil production also is expected to rise appreciably, and exports are estimated at 150,000 tons in 1974, compared with less than 1,000 in 1973. Further growth is seen for 1975.

Accounting for more than four-fifths of the expected growth in fats and oils are coconut and palm oils, the latter of which is in a sharp uptrend. West Malaysia, the world's largest palm oil producer, anticipates acceleration in its production growth next year, following a below-normal rate of growth between 1973 and 1974. Tentative forecasts place the 1975 output at 1.1 million tons, for a gain of nearly 180,000 tons from the 1974 estimate.

With 40 percent of Malaysia's planted acreage not yet at the fruit-bearing stage, significant expansion can be expected to continue for the next few years. In addition, new palm plantings coming into bearing are boosting production in Sabah, Indonesia, and the Ivory Coast.

Sharp recovery is also seen for 1975 Philippine coconut output as a result of improvement in rainfall and some increase in bearing tree numbers.

Because of the dramatic production changes occurring in some of the individual countries, the emerging world supply situation differs greatly from that of a year ago.

In the first place, total export availabilities in 1975 will be reduced because of the substantially smaller 1974 U.S. soybean crop, whereas this year they were boosted by the United States record 1973 soybean production.

Second, all of the supply increase in 1975 will be on the oil side, reflecting improved output of coconut, palm, and fish oils. In 1974, on the other hand, growth was largely limited to the meal, since soybeans—the main contributor to last year's crop expansion—have a relatively high meal to oil ratio.

Third, although record growth in foreign meal and oil output was registered in 1974, a large share of it was from countries such as India and the Soviet Union that do not greatly influence world market trade flow. In 1975, more of the expansion will be in major producer-exporter countries.

Finally, U.S. soybean stocks on September 1, 1973, were only 60 million bushels, having been drained by the surge in exports to fill the shortfall in foreign output. In sharp contrast, U.S. soybean stocks now are well above the minimum levels and can therefore be depended upon to help satisfy U.S. and foreign demand in 1975.

It is, nontheless, still too early to accurately assess the final outcome of foreign and U.S. crop output in 1974-75, and estimates are thus subject to a rather wide margin of error.

Thailand's Corn Production

Continued from page 3

this could boost yields 20 percent or more over the current level. However, this would require either a lowering of fertilizer prices, or Government subsidies on the present high prices.

Finally, disease and insects are major problems needing attention. A total of more than 20 corn diseases are known to occur in Thailand. The most serious of these, downy mildew, damages an estimated 10 percent of the planted area each year.

Aware of the difficulties—as well as the possibilities—the Thai Government has made corn one of the six high-priority crops promoted under the Third National Economic and Social Development Plan (1972-76). If its Plan goals are realized, Thailand will be harvesting a 3.5-million-ton crop by 1976.

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